

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2015 - 2016

Department/Agency: Treasury

Question: AET 3662-3665

Topic: Backpacker Tax

Reference: written - 29 February 2016

Senator: Wong, Penny

Question:

3662. Regarding 2015 Budget measure 'Personal income tax – changes to tax residency rules for working holiday makers' what are the assumptions underpinning expected revenues regarding:

- o Number of arrivals of working holiday makers in each year
- o Expected annual earnings per working holiday maker
- o Length of stay per working holiday maker
- o Effect of change to tax rate on demand for working holiday maker visas, earnings and expenditure?

3663. Presuming the measure commences on 1 July 2016 and that the revenue figure for 2016-17 is therefore for 6 months rather than 12, why is more than double the revenue collected in 2017-2018 and 2018-19?

3664. What are the assumptions underpinning the extra \$20 million collected in 2017-18?

3665. Why does this figure not increase again in 2018-19?

Answer:

3662.

The revenue estimates for this measure were generated from visa and tax administrative data on the number of working holidaymakers (WHMs), their incomes and tax liabilities. Assumptions were made to account for concerns that the data included individuals who would not be impacted by the measure; any reduced demand for WHM visas (noting the volatility in the data on this); and any increase in the rate of tax avoidance by WHMs.

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The measure applies for all of 2016-17. The revenue estimate for 2016-17 is significantly smaller than for 2017-18 largely because not all of the revenue relating to 2016-17 year is expected to be collected in that year; that is, a significant proportion of 2016-17 revenue is expected to be collected in 2017-18 when tax returns are lodged. The same pattern of tax collections applies in later fiscal years.

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See answer to question 3663 above.

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The revenue impact does not increase in 2018-19 primarily because it was assumed that there would be no growth in the number of working holiday-makers between 2017-18 and 2018-19. This assumption was made because of the lack of a clear trend in WHM numbers in the available data.